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SUNLITE OIL COMPANY LIMITED

ANNUAL REPORT

AND

1970 FINANCIAL STATEMENTS

FOR THE YEAR

ENDED SEPTEMBER 30, 1970

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SUNLITE OIL COMPANY LIMITED

Calgary, Alberta
Canada

NOTICE OF ANNUAL GENERAL MEETING
OF SHAREHOLDERS
December 18, 1970

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Shareholders of Sunlite Oil Company Limited will be held at Suite 940, Aquitaine Tower, 540 Fifth Ave., S.W., Calgary, 1 Alberta, on December 18, 1970, at ten o'clock A.M. (local time), for the purposes of (i) the election of Directors of the Company for the ensuing year, (ii) to consider, and if thought fit, to ratify as a special resolution, a resolution passed by the Directors authorizing an application to the Registrar of Companies for the Province of Alberta increasing the authorized capital of the Company from 3,000,000 Common Shares without nominal or par value to 6,000,000 Common Shares without nominal or par value, (iii) the appointment of auditors for the Company for the fiscal ending September 30, 1971, (iv) presentation of the financial statements for the fiscal year ending September 30, 1970, and (v) the transaction of such other business as may properly come before the meeting.

The close of business on November 6, 1970, has been fixed as the record date for the determination of shareholders entitled to notice of and to vote at said meeting.

You are cordially invited to attend the meeting. If you are unable to do so, please sign, date and return the enclosed proxy.

By order of the Board of Directors,

J. STEWART FISHER

Secretary

Dated: November 23, 1970.

SUNLITE OIL COMPANY LIMITED

**PROXY STATEMENT
AND
INFORMATION CIRCULAR**

**FOR AN
ANNUAL GENERAL MEETING OF SHAREHOLDERS OF
SUNLITE OIL COMPANY LIMITED
TO BE HELD DECEMBER 18, 1970**

This statement is furnished in connection with the solicitation by the management of Sunlite Oil Company Limited ("Sunlite") of proxies to be voted at the Annual General Meeting of Shareholders of Sunlite to be held on December 18, 1970. All expenses in connection with this solicitation will be borne by Sunlite. It is expected that the solicitation will be made primarily by mail, but regular employees or representatives of Sunlite may also solicit proxies by telephone, telegraph or in person.

Holders of Common Stock of record at the close of business on November 6, 1970 who are eligible to vote at meetings generally will be entitled to vote at the meeting, each share of Common Stock entitling the holder to one vote. There are 2,306,432 shares of Common Stock issued and outstanding and entitled to vote at the meeting. If the enclosed proxy is properly executed and returned to Sunlite, all shares represented thereby will be voted in the manner specified, but if no such specification is made, they will be voted in favor of the matters set forth for a vote in the notice and proxy. **Shareholders who execute proxies may revoke them at any time before they are voted. A shareholder executing the enclosed form of proxy has the power to revoke it at any time before it is exercised. Section 128c(4) of The Companies Act (Alberta) sets out a procedure for revoking proxies by instrument in writing deposited at the head office of the Company at any time up to and including the last business day preceding the day of the meeting or with the chairman of such meeting.**

Dollar figures in this Proxy Statement represent Canadian dollars unless otherwise indicated. As of November 17, 1970, the exchange ratio of U.S. to Canadian dollars was \$1.00 (Canadian) = \$.98 (U.S.).

Reference to Sunlite shall be deemed to include reference to Sunlite's consolidated subsidiaries unless the context indicates otherwise.

The Annual Report of Sunlite for the year ended September 30, 1970, including financial statements of Sunlite is delivered with this Proxy Statement.

ELECTION OF DIRECTORS

Four directors are to be elected at the General Meeting, to hold office until the next general meeting of Shareholders and until their respective successors are elected and have qualified. It is the intention of the persons named in the enclosed proxy to vote for the nominees named below, all of whom are presently serving as Directors of Sunlite. In the event that any such nominee shall become unavailable for any reason, the individuals named in the proxy reserve the right to substitute another person of their choice in his place.

The information given below as to the occupation and securities beneficially owned as of November 10, 1970 by each nominee is based upon information furnished by the individual concerned.

<u>Name</u>	<u>Principal Occupation</u>	<u>Position With Sunlite</u>	<u>Director Since</u>	<u>Equity Securities Beneficially Owned</u>
Edwin L. Kennedy	Managing Director of Lehman Brothers Incorporated	Director	1966	40,000
Francis L. Croteau	Geological and Engineering Consultant	Geological and Engineering Consultant and Director	1968	100
Edwin C. James	President of Sunlite	President and Director	1970	80,000
J. Stewart Fisher	Barrister and Solicitor	Secretary-Treasurer and Director	1970	25

Certain information concerning the nominees, including their principal occupations during the past five years, is set forth below:

Edwin L. Kennedy is a Managing Director of Lehman Brothers Incorporated, Investment Bankers, which is the successor to certain activities formerly conducted by Lehman Brothers, of which Mr. Kennedy has been a Partner during the past five years.

Francis Leslie Croteau for the past five years has acted as a geological and engineering consultant in the oil, gas and mining industries and during the last year has been retained by Sunlite in this capacity on a per diem basis. He is a Director of Trans-Canada Resources, Ltd., which company during 1969 purchased from Sunlite certain mining interests and is affiliated as an officer and/or director in several other companies, principally engaged in mineral activities similar to those of Sunlite.

J. Stewart Fisher is a partner in the firm of MacKimmie Matthews, Barristers and Solicitors, and has been with that firm since 1961.

Edwin C. James, formerly a Director, has also served Sunlite as a consultant from time to time. For the five years prior to assuming his current position as President of Sunlite, Mr. James was an associate of Lehman Brothers. He was previously employed by Shell Oil Company in various capacities.

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REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

For the fiscal year ended September 30, 1970, the aggregate direct remuneration paid by Sunlite to all of its senior officers and directors as a group (six persons) totalled \$100,161.00. The estimated aggregate direct remuneration for all senior officers and directors as a group (seven persons) for the fiscal year ending September 30, 1971 is expected to be approximately \$65,000.00.

During the fiscal year ended September 30, 1970 Sunlite granted options to a total of eight employees, including four senior officers, to purchase an aggregate of 53,499 common shares. The following table shows the relationship of the employees, the dates of the grants, the number of common shares, the exercise prices and the expiration dates.

Nature of Relationship To Sunlite of Optionee	Date Option Granted	Number of Shares	Exercise Price	Date Option Expires
Director and a Senior Officer:	October 1, 1969	13,333	\$5.175	October 1, 1972(1)
Senior Officers(2)	October 1, 1969	26,666	\$5.175	October 1, 1972(1)
Senior Officer(2)	January 26, 1970	2,000	\$5.40	January 26, 1973(1)
Employees	November 20, 1969	5,000	\$5.40	November 20, 1972(1)
Employee(3)	September 30, 1970	7,500	\$4.00	November 20, 1972

(1) The director, senior officers and employees who were granted these options have since terminated their employment with Sunlite and by the terms of the option agreements they are no longer eligible to exercise their options. No shares were purchased by any of them prior to or after the termination of their employment.

(2) The Alberta Securities Act, 1967 defines "senior officers" to include, in addition to the president, all vice-presidents, the secretary, the treasurer and the general manager, each of the five highest paid employees of the Company, including any of the aforementioned officers.

(3) The option granted on this date amended an option granted on November 20, 1969 to one employee for 2,000 shares at an exercise price of \$5.40 per share. On September 30, 1970 the option was amended by increasing the number of shares to 7,500 and reducing the exercise price to \$4.00 per share. This employee is now a senior officer of the Company. This is currently the only outstanding stock option.

During the thirty-day periods preceding the dates the options were granted the price range of Sunlite common shares on the Vancouver Stock Exchange was as follows:

	High	Low
September 1st to 30th, 1969:	\$8.00	\$5.50
December 27th 1969 to January 26, 1970:	7.00	5.00
October 21st, 1969 to November 20, 1969:	7.80	5.00
September 1st to 30th, 1970:	4.05	3.65

During the fiscal year ended September 30, 1970 the only option exercised was by R. T. M. Vanderham on October 1, 1969 for 2,500 shares at a price of \$1.00 per share. Mr. Vanderham's employment with the Company terminated on October 31, 1969.

INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS

Edwin C. James, President and Director of Sunlite borrowed \$100,000 from Sunlite during its past fiscal year of which \$100,000 is currently outstanding. The loan, incurred on a noninterest bearing basis, is due on July 1, 1975. It was used by Mr. James to purchase 40,000 shares of Sunlite Common Stock.

On March 10, 1970 Sunlite agreed to sell to Trans-Canada Resources, Ltd. its 50% interest in certain mineral interests located near Pioche, Nevada. The agreed purchase price was Sunlite's audited investment plus 10% and is payable 25% in 1970 and the balance in 1971. Mr. F. L. Croteau, a director of Sunlite, is also a director of Trans-Canada Resources, Ltd.

INCREASE IN AUTHORIZED CAPITAL

The shareholders of the Company are being asked to approve a special resolution passed by the directors of the Company on November 16, 1970, authorizing an application to the Registrar of Companies for the Province of Alberta, to increase the authorized capital of the Company from 3,000,000 common shares without nominal or par value to 6,000,000 common shares without nominal or par value. A special resolution in the following form is to be proposed at the meeting.

"WHEREAS the authorized capital of Sunlite Oil Company Limited (hereinafter called "the Company") consists of 3,000,000 shares without nominal or par value, of which 2,306,432 shares have been issued and are now outstanding as fully paid and non-assessable;

"AND WHEREAS it is considered necessary and expedient in the interest of the Company to increase the authorized capital of the Company as hereinafter provided;

"NOW THEREFORE BE IT RESOLVED THAT

"A. The Company be and it is hereby authorized to make application to the Registrar of Companies for the Province of Alberta increasing the authorized capital of the Company by creation of an additional 3,000,000 common shares without nominal or par value ranking in all respects on a parity with the common shares without nominal or par value in the capital of the Company as the same is presently constituted; provided however, that the common shares without nominal or par value in the capital of the Company shall not be issued for a maximum price or consideration exceeding in the aggregate \$12,000,000.

"B. The directors and/or the proper officers of the Company be and they are hereby authorized and directed on behalf of the Company to do all acts and things (including the execution of documents) necessary or advisable in connection with the foregoing application for the increase in authorized capital."

The Board of Directors believes that the increase in the authorized number of Common Shares will give the Company desirable flexibility in meeting possible future developments in the Company's business, including possible acquisitions of properties or businesses. The increase in the authorized number of Common Shares would make available a substantial number of authorized but unissued Common Shares, which would be important in connection with these corporate activities. The passage of the proposed amendment would authorize the issuance of Common Shares without the delay and expense of calling a Special Meeting of Shareholders at a later time, to authorize the shares required.

The affirmative vote of the holders of three-quarters ($\frac{3}{4}$) of the votes cast at the Annual General Meeting of Shareholders is required for the approval of the proposed amendment.

SUNLITE OIL COMPANY LIMITED

APPOINTMENT OF AUDITORS

The Shareholders will also be asked to vote upon the appointment of Riddell, Stead & Co. as auditors for Sunlite for the fiscal year ending September 30, 1971. Riddell, Stead & Co. has served Sunlite in this capacity for five years. Sunlite is advised that neither such firm nor any of its members has, or had during the past five years, any direct or indirect financial interest in Sunlite or any of its subsidiaries or any relationship with Sunlite or any of its subsidiaries other than their duties as auditors and accountants.

PRESENTATION OF FINANCIAL STATEMENTS

Pursuant to the provisions of the Alberta Companies Act, the financial statements of Sunlite for the year ended September 30, 1970 will be presented to the Shareholders at the Annual General Meeting. This presentation will not constitute an approval or disapproval of such statements.

OTHER MATTERS

The management knows of no other matters to be brought before the meeting. If other matters should properly come before the meeting, the proxy will be voted on such matters in accordance with the best judgment of the persons named in the proxy.

By order of the Board of Directors,

J. STEWART FISHER
Secretary

November 23, 1970

SUNLITE OIL COMPANY LIMITED

AR26

SUNLITE OIL COMPANY LIMITED

Calgary, Alberta

Canada

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

February 12, 1970

NOTICE IS HEREBY GIVEN that a General Meeting of Shareholders of Sunlite Oil Company Limited will be held at Suite 940, Aquitaine Tower, 540 Fifth Ave., Calgary, Alberta, on February 12, 1970, at ten o'clock A.M. (local time), for the purposes of (i) the election of Directors of the Company for the ensuing year, (ii) the appointment of auditors for the Company for the fiscal year ending September 30, 1970, (iii) presentation of the financial statements for the fiscal year ending September 30, 1969 and (iv) the transaction of such other business as may properly come before the meeting.

The close of business on January 16, 1970, has been fixed as the record date for the determination of shareholders entitled to notice of and to vote at said meeting.

You are cordially invited to attend the meeting. If you are unable to do so, please sign, date and return the enclosed proxy.

By order of the Board of Directors,

J. STEWART FISHER

Secretary

Dated: January 21, 1970.

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SUNLITE OIL COMPANY LIMITED

PROXY STATEMENT AND INFORMATION CIRCULAR

FOR AN ANNUAL GENERAL MEETING OF SHAREHOLDERS OF SUNLITE OIL COMPANY LIMITED TO BE HELD FEBRUARY 12, 1970

This statement is furnished in connection with the solicitation by the management of Sunlite Oil Company Limited ("Sunlite") of proxies to be voted at the General Meeting of Shareholders of Sunlite to be held on February 12, 1970. All expenses in connection with this solicitation will be borne by Sunlite. It is expected that the solicitation will be made primarily by mail, but regular employees or representatives of Sunlite may also solicit proxies by telephone, telegraph or in person.

Holders of Common Stock of record at the close of business on January 16, 1970 who are eligible to vote at meetings generally will be entitled to vote at the meeting, each share of Common Stock entitling the holder to one vote. There are 2,252,100 shares of Common Stock issued and outstanding and entitled to vote at the meeting. If the enclosed proxy is properly executed and returned to Sunlite, all shares represented thereby will be voted in the manner specified, but if no such specification is made, they will be voted in favor of the matters set forth for a vote in the notice and proxy. **Shareholders who execute proxies may revoke them at any time before they are voted.**

Dollar figures in this Proxy Statement represent Canadian dollars unless otherwise indicated. As of January 19, 1970, the exchange ratio of U.S. to Canadian dollars was \$1.00 (Canadian) = \$.9325 (U.S.).

Reference to Sunlite shall be deemed to include reference to Sunlite's consolidated subsidiaries unless the context indicates otherwise.

The Annual Report of Sunlite for the year ended September 30, 1969, including financial statements of Sunlite is delivered with this Proxy Statement.

ELECTION OF DIRECTORS

Four directors are to be elected at the General Meeting, to hold office until the next general meeting of Shareholders and until their respective successors are elected and have qualified. It is the intention of the persons named in the enclosed proxy to vote for the nominees named below, all of whom are presently serving as Directors of Sunlite and, except for Mr. Van de Venter, have been previously elected Directors by the Shareholders at a general meeting. In the event that any such nominee shall become unavailable for any reason, the individuals named in the proxy reserve the right to substitute another person of their choice in his place.

SUNLITE OIL COMPANY LIMITED

The information given below as to the occupation and securities beneficially owned as of January 19, 1970 by each nominee is based upon information furnished by the individual concerned.

<u>Name</u>	<u>Principal Occupation</u>	<u>Position With Sunlite</u>	<u>Director Since</u>	<u>Equity Securities Beneficially Owned</u>
Donald K. Russell	Associate of Lehman Brothers	President and Director	1966	60,000
Edwin L. Kennedy	Partner of Lehman Brothers	Director	1966	40,000
Francis L. Croteau	Geological and Engineering Consultant	Geological and Engineering Consultant and Director	1968	100
John H. Van de Venter	Executive Vice President of Sunlite	Executive Vice President and Director	1969	26,000

Certain information concerning the nominees, including their principal occupations during the past five years, is set forth below:

Donald K. Russell has been an associate of Lehman Brothers, investment bankers, since September 1, 1965, and prior thereto he was a petroleum analyst for the Lehman Corporation and consultant to Lehman Brothers.

Edwin L. Kennedy during the past five years has been a partner of Lehman Brothers, investment bankers.

Francis Leslie Croteau for the past five years has acted as a geological and engineering consultant in the oil, gas and mining industries and is employed by Sunlite in this capacity. He is executive vice president and a director of Trans-Canada Resources, Ltd., which is a partner with Sunlite in certain mining properties. He is affiliated as an officer and/or director in several other companies, principally engaged in mineral activities similar to those of Sunlite.

John H. Van de Venter has been engaged in the business of oil and gas exploration and development for the past 22 years. Since 1962 he has served as President of Del Norte Oil Ltd. which was amalgamated with Sunlite in October of 1969. Pursuant to the terms of the amalgamation Mr. Van de Venter received his present Sunlite stock in return for his holdings in Del Norte Oil Ltd. Only Mr. Van de Venter will be a full-time employee of Sunlite.

REMUNERATION OF DIRECTORS AND OFFICERS

For the fiscal year ended September 30, 1969, the aggregate direct remuneration paid by Sunlite to all of its officers and directors as a group (seven persons) totalled \$27,350. The estimated aggregate direct remuneration for all officers and directors as a group (six persons) for the fiscal year ending September 30, 1970 is expected to be approximately \$51,500.

STOCK OPTIONS

On September 30, 1967, Sunlite entered into an agreement with Robert T. M. Vanderham, a former vice-president, pursuant to which, as amended, in return for his services as an officer and employee, Mr. Vanderham was granted an option to purchase a total of 10,000 shares of Sunlite's Common Stock at an option price of \$1.00 per share. Mr. Vanderham exercised an option to acquire 2,500 shares each on April 1, 1969 and October 1, 1969 for an aggregate purchase price of \$5,000, such shares having an aggregate market value as determined by the closing quote on the Vancouver Stock Exchange on or immediately prior to such dates of \$30,625 and \$14,375, respectively. Aside from these 10,000 shares no other options have been exercised by any other director or officer of Sunlite within the past five years.

Pursuant to employment agreements entered into in connection with the amalgamation with Del Norte Oil Ltd., Mr. Van de Venter has received incentive options to purchase an aggregate of 13,334 shares of the Common Stock of Sunlite. The options will be exercisable as to one-half thereof within one year of October 6, 1969 and as to the remaining one-half during two six-month intervals commencing one year after said date at a price of \$5.175 per share, 90% of the last quoted market price of Sunlite's shares on the Vancouver Stock Exchange prior to October 6, 1969. Any options not exercised within the respective specified periods will expire. No other options granted to directors or officers remain unexercised.

APPOINTMENT OF AUDITORS

The Shareholders will also be asked to vote upon the appointment of Riddell, Stead & Co. as auditors for Sunlite for the fiscal year ending September 30, 1970. Riddell, Stead & Co. has served Sunlite in this capacity for four years. Sunlite is advised that neither such firm nor any of its members has, or had during the past three years, any direct or indirect financial interest in Sunlite or any of its subsidiaries or any relationship with Sunlite or any of its subsidiaries other than their duties as auditors and accountants.

PRESENTATION OF FINANCIAL STATEMENTS

Pursuant to the provisions of the Alberta Companies Act, the financial statements of Sunlite for the year ended September 30, 1969 will be presented to the Shareholders at the Annual General Meeting. This presentation will not constitute an approval or disapproval of such statements.

OTHER MATTERS

The management knows of no other matters to be brought before the meeting. If other matters should properly come before the meeting, the proxy will be voted on such matters in accordance with the best judgment of the persons named in the proxy.

By order of the Board of Directors,

J. STEWART FISHER,
Secretary

January 21, 1970

SUNLITE OIL COMPANY LIMITED

This Annual Report of Sunlite Oil Company Limited for the twelve months ending September 30, 1970 is the fourth since the Company became publicly owned in January of 1967.

The financial statements include those of Del Norte Oil Ltd., which was amalgamated with Sunlite as of October 1, 1969.

Interest income during the 1970 fiscal year remained high, while extraordinary profit from the sale of properties was substantially lower. Income from oil and gas sales increased somewhat over fiscal 1969. Expenses rose sharply in 1969, reflecting mainly increased exploration activity. Significant expenditures for exploratory wells were made in Canada, the United States, New Zealand and Nicaragua with an attendant increase in general exploration expenses. Dry hole expense and general exploration expense totalled \$689,990 and \$210,477, respectively.

Non-cash write offs were lower during the twelve month period. Write offs of \$175,986 primarily reflect surrender of mineral properties and the write-down and surrender of certain non-producing oil and gas properties.

The net result of the above was a consolidated loss of \$923,663 during fiscal 1970.

Working capital at the end of the fiscal year was \$4,184,680 represented by current assets of \$4,444,262 including cash of \$3,895,492 and current liabilities of \$259,582. As shown by the notes to the financial statements there were working commitments of \$425,000 under various exploration commitments. These obligations can be discharged in several ways: by sale or by farming out the acreage to others, performing exploration work or by releasing permits or claims. During the past year, Sunlite has released some permits and farmed out and sold others. Letters of credit posted to guarantee exploration work have been returned where lands have been sold or farmed out to others.

The number of shares of the capital stock of Sunlite Oil Company Limited outstanding as of the close of business, September 30, 1970 was 2,306,432.

Oil and Gas Activities

During the twelve months ending September 30, 1970, Sunlite participated in drilling nineteen wild-cat wells, including eleven in Alberta, two in Saskatchewan, two in Wyoming, two in New Zealand, one in British Columbia and one in Nicaragua. The Company's interest in these amounted to 4.54 net

wells. Two discoveries resulted from this exploration effort.

As stated in the six months' report of March 31, 1970, the principal success was a Slave Point formation gas well in the Helmet area of north-eastern British Columbia in which the Company's interest is 18%. Additional acreage has been acquired in the area and present information indicates that there are three to five gas development locations on lands in which Sunlite has an interest. In the Amber area of northwestern Alberta, a two zone gas discovery was made and a further marginal gas discovery was made. Sunlite's interest in these wells is less than 5%.

Several wells are proposed for the winter season, but the drilling program will be substantially smaller than last year. One well of particular interest has just been spudded in the Ferrier area of Alberta as a Cardium test in advance of a provincial lease sale. Additional wells will be drilled by Sunlite at locations to be selected. We will also promote drilling by others on or near Sunlite's lands to obtain maximum exposure at minimum cost to the Company. We propose to continue to concentrate on developing good oil and gas prospects, and acquiring well situated acreage.

Pursuant to this course, in the past few months we have acquired acreage on oil and gas prospects in Alberta, and in Colorado, Florida and Louisiana. Your management is also actively developing prospects on other lands in Canada, the United States and overseas.

In New Zealand, the group of which Sunlite is a member is applying for a second five-year exploratory license of the 1.82 million acre onshore Canterbury Basin tract (Sunlite 15%). It is anticipated that the license renewal will be approved soon. Additional seismic and magnetometer work proposed for the area will be done at nominal cost to the Company. Activity in New Zealand is due to increase within the next twelve months. The Shell-British Petroleum group is drilling a well offshore toward the southern end of the Canterbury Basin, and three wells are proposed at onshore locations on both the North and South islands for the next year. The Shell-BP-Todd well is the first test to be drilled off the east coast of South Island.

In the area offshore from the Puerto Cabezas region of eastern Nicaragua where Sunlite has an option to earn a 5% interest in a 258,000 acres concession, detailed seismic work is being done to delineate a structure found by previous reconnaissance seismic. Depending on the results of the current program, a test well may be drilled on Sunlite's interest acreage within a few months.

Sunlite and other companies have been awarded an onshore exploratory permit by the Italian government, the Pollutri permit. The Company's interest is 20%. After further investigation, it was decided by the group to drop two offshore permits awarded in 1969. Sunlite now has a 20% interest in the original offshore permit of 42,285 acres and 25,687 acres on the newly acquired onshore Pollutri block. Geological study and seismic work have indicated prospective areas on the offshore block.

In the Amber area of northwestern Alberta, your Company holds 44,320 gross acres and 4,201 net acres. There were six tests drilled on our Amber acreage since the last report, one of these tests, which was abandoned, was drilled at no cost to your Company on acreage farmed out to Northern Oil Explorers. The winter drilling activity resulted in four dry holes, one dual zone gas well and a marginal gas well. Sunlite's interest in the two gas wells is 2.5% and 5% respectively. Prospects now recognized in the Amber area are mainly in pinnacle reefs which are small in area. Since other areas appear more attractive, we have reduced our exploration efforts in the Amber area. Apache Oil Corporation, which succeeded Sunlite as operator in the Amber area, is presently attempting to farmout some of the joint interest leases.

Seismic surveys totalling 339 line miles have just been completed on holdings in which Sunlite has an interest in Cumberland Sound and Davis Strait, off the southeastern portion of Baffin Island. The Company has 2.29 million net acres in this area. Studies of the records are expected to yield important information on structure and depth of sediments in this prospective region. Activity by others off the East Coast, well south of our holdings, has continued to be strong. No early drilling is expected in the vicinity of our acreage but any large discovery on the east coast could be of significance to your Company.

In Hudson Bay, Sunlite surrendered 238,000 net permit acres, principally on Coates Island, retaining approximately 3.9 million net permit acres near the northern part of the Bay. The Aquitaine group has continued to do seismic work during the summer months and is currently interpreting results. We have been informed that no drilling is planned for 1971. We understand that results of work to date are encouraging and that a well will probably be drilled in 1972.

During 1970, Sunlite, through its wholly owned subsidiary, Sunlite Land Ltd., concluded an agreement with Canada-Cities Service Petroleum Corporation and Getty Oil Company Ltd. relating to some 1.279 million permit acres located on Axel Heiberg and Ellesmere Islands in the northeast Arctic. Under terms of the agreement, Sunlite, in consider-

ation for a cash payment and the assumption by Cities Service and Getty of all of the initial six year work obligations, granted the companies 258,000 acres subject to a 3% overriding royalty retained by Sunlite and further granted the companies an option to earn a maximum of 50% interest in the remaining acreage by drilling up to three test wells on it. The companies have informed us that they plan to have geological surface parties studying these holdings on Axel Heiberg next summer.

During the fiscal year, Sunlite surrendered approximately 800,000 acres located in deep water in the McClure Strait, retaining 207,785 acres in the Strait along the north shore of Banks Island.

Activity in the Arctic Islands has increased with five wildcat ventures announced. Included is the Panarctic King Christian Island D-18 well which blew out and caught fire while preparations were being made to set surface casing at 2010 feet. Panarctic has landed supplies on Ellesmere Island in preparation for a well to be commenced in the spring of 1971. The location for this well has not been announced but is believed to be within 50 miles of permits in which Sunlite has an interest. It is estimated that eight drilling rigs will be active in the Arctic Islands during 1971.

In Colorado, Sunlite Nevada, Inc. and partners have assembled a block of approximately 66,000 acres in the Denver-Julesburg Basin covering several attractive gas prospects. We are currently discussing a proposal with several parties in which the acreage would be tested at no cost to your Company.

Leases were bought in the Reddel Field, Acadia Parish, Louisiana, prior to a deep Wilcox discovery by Inexco. The discovery is currently being tested as a triple-completion-gas-condensate well. Sunlite's six hundred acres of leases are in two well situated parcels approximately one mile northeast and one mile southwest of the discovery well. We have no plans to drill at present but will await further development by others.

Sunlite through its wholly owned subsidiary, Sunlite Nevada, Inc., has acquired 6,764 gross acres (5,431.81 net acres) in Florida's northwestern panhandle region. Leases were initially taken in the area during late 1968 when discoveries in Alabama suggested that the deep Jurassic Smackover production trend would extend southward into Florida. Sunlite now has an acreage position in six areas which preliminary information indicates to be favourably located. In June, 1970, the first Florida Smackover oil discovery was made by Humble and Louisiana Land & Exploration St. Regis No. 1 well, located approximately six miles northeast of one of our leases. Two Humble follow-up tests,

one to the north and the other south of the discovery well, are also reported to be successful Smackover oil wells, proving that the new Jay Field is one of the more important 1970 U.S. discoveries. As a result of this discovery, drilling and leasing has accelerated in the area and interest in our acreage has greatly increased.

We have had several proposals offering to drill on or near our acreage in return for an interest in our holdings, but we plan to await further development by others before making any decisions to drill or farmout our leases.

Royalty Purchase

On March 6, 1970, Sunlite purchased varying royalty interests in certain lands located in the States of Louisiana, West Virginia, Ohio and Pennsylvania comprising a total of 4,946 royalty acres, for 14,332 shares of common stock. These royalty interests are located in seven prospective areas. Since the purchase, five test wells have been drilled resulting in three discoveries. Present income from these wells is approximately \$200 per month. Two prospect areas remain to be drilled and further development of the new fields is projected so that we anticipate a substantial increase in this income.

Previously held royalty interests include 4,950,907 acres in the Northwest Territories, 555,207 acres in Alberta and 341,600 acres in Saskatchewan for a total of 5,847,714 acres. It will be noted that this total is down from last year. This is a result of working interest owners decreasing their land holdings either by converting permits or reservation acres to lease acres or by outright surrender. The major decrease in royalty acres occurred in Saskatchewan where the net decrease amounted to 275,400 acres. This decrease was offset by your Company retaining a 3% overriding royalty interest in the 258,000 acres in the Arctic Islands sold to Cities Service and Getty.

Mineral Activities

A field geological party was active during the summer months continuing the investigation of base metals and uranium prospects on the two wholly owned Saskatchewan permits totalling some 584,000 acres on the Wollaston-Sandfly trend. This work has been successful in locating areas with significant showings and encouraging geophysical survey results. It is planned to concentrate future efforts in the areas.

In the Kisiwak Lake area where Sunlite has a 25% interest in 8,000 acres, little exploratory work was done in the last fiscal year. Expenditures next year are expected to be modest.

During early 1970, Sunlite sold its interest in the old silver-lead-gold property at Pioche, Nevada for its total costs plus allowance for overhead.

Future Activities

During the next twelve months your management anticipates a considerable increase in activity by the industry near Sunlite holdings; most particularly in the Arctic Islands where the Panarctic group has reportedly made a second major gas find and in Florida where the Humble-LL&E group have made a major oil discovery.

We propose to focus our attention in areas of large potential and in this regard have taken steps toward obtaining a position in the Foothills gas region of Alberta and British Columbia as well as currently studying overseas prospects of potential interest for obtaining concessions and licenses.

The Annual General Meeting will be held at 940 Aquitaine Tower, 540 - 5th Avenue S.W. Calgary 1, Alberta on Friday, December 18th, 1970 at 10:00 a.m.

November 16, 1970

E. C. James,
President

CONSOLIDATED BALANCE SHEET

ASSETS

	1970	1969 (Note 1)
CURRENT ASSETS		
Cash	\$3,895,492	\$5,318,142
Accounts receivable	492,443	467,971
Lease trading inventory, at lower of cost and net realizable value	56,327	95,695
	<u>4,444,262</u>	<u>5,881,808</u>
PROMISSORY NOTE of an officer and director (Note 2)	<u>100,000</u>	<u>—</u>
FIXED ASSETS, at cost (Note 1)		
Petroleum and natural gas leases and rights together with development and equipment thereon		
Producing	261,612	249,878
Accumulated depletion and depreciation	139,238	131,175
	<u>122,374</u>	<u>118,703</u>
Non-producing		
Leases	1,443,055	1,486,829
Royalty rights	513,048	448,970
Other	207,947	304,747
	<u>2,286,424</u>	<u>2,359,249</u>
Other mineral rights, including development	307,159	492,582
	<u>2,593,583</u>	<u>2,851,831</u>
OTHER ASSETS	<u>73,514</u>	<u>75,134</u>
	<u><u>\$7,211,359</u></u>	<u><u>\$8,808,773</u></u>

The accompanying notes are an integral part of these financial statements.

AUDITOR'S REPORT

To the Shareholders
Sunlite Oil Company Limited

We have examined the consolidated balance sheet of Sunlite Oil Company Limited as at September 30, 1970 and the consolidated statements of earnings, retained earnings and dividends for the year ended September 30, 1970. Our examination included a general review of the accounting records and supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of Sunlite Oil Company Limited as at September 30, 1970 and the results of their operations and cash flows for the year ended September 30, 1970 in accordance with generally accepted accounting principles applicable in Canada.
Calgary, Alberta
November 13, 1970

**PANY LIMITED
COMPANIES**

AS AT SEPTEMBER 30, 1970

	LIABILITIES	
	1970	1969 (Note 1)
CURRENT LIABILITIES		
Bank indebtedness	\$ —	\$ 393,608
Accounts payable	223,690	616,448
Income taxes (Note 3)	35,892	106,753
	<u>259,582</u>	<u>1,116,809</u>

SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Notes 1 and 2)		
Authorized 3,000,000 shares without nominal or par value		
Issued 2,306,432 shares (1969 – 2,249,600 shares)	6,806,656	6,623,180
RETAINED EARNINGS	145,121	1,068,784
	<u>6,951,777</u>	<u>7,691,964</u>

Signed on behalf of the Board:

"E. C. JAMES," Director

"J. S. FISHER," Director

<u>\$7,211,359</u>	<u>\$8,808,773</u>
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part of this financial statement.

REPORT

Oil Company Limited and its subsidiaries as at September
earnings and source and application of funds for the year then
ing procedures and such tests of accounting records and other
nces.

esent fairly the financial position of the companies as at
ource and application of their funds for the year then ended,
ed on a basis consistent with that of the preceding year.

RIDDELL, STEAD & CO.
Chartered Accountants

**SUNLITE OIL COMPANY LIMITED
AND SUBSIDIARY COMPANIES**

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED SEPTEMBER 30, 1970

	1970	1969 (Note 1)
REVENUE		
Oil and gas sales	\$ 29,914	\$ 24,731
Lease trading		
Sales	\$220,000	
Cost of sales	95,283	—
Interest	367,306	372,323
Other	—	1,450
	521,937	398,504
EXPENSE		
Operating	12,552	11,157
General and administrative	318,140	236,023
Carrying charges on non-producing properties	50,921	4,693
Dry hole costs	689,990	542,146
Exploration	210,477	16,820
Property surrenders and write-offs	175,986	292,416
Interest expense	11,707	17,190
Depletion	4,301	14,540
Depreciation	3,762	3,192
Less expenses recovered	1,477,836	1,138,177
	68,127	30,869
	1,409,709	1,107,308
Loss before undernoted items	(887,772)	(708,804)
EXTRAORDINARY ITEMS		
Gain on sale of non-producing property	—	981,274
Payment under guarantee agreement	—	(49,742)
	—	931,532
	(887,772)	222,728
Provision for (recovery of) income taxes (Note 3)	35,891	(41,253)
NET EARNINGS (LOSS)	\$ (923,663)	\$ 263,981

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED SEPTEMBER 30, 1970

	1970	1969
RETAINED EARNINGS (DEFICIT) OF AMALGAMATING COMPANIES		
AT BEGINNING OF YEAR (Note 1)		
Sunlite Oil Company Limited	\$1,076,734	\$ 805,418
Del Norte Oil Ltd.	(7,950)	67,936
RETAINED EARNINGS AT BEGINNING OF YEAR, as restated	1,068,784	873,354
Net earnings (loss)	(923,663)	263,981
Share issue expense	—	(68,551)
RETAINED EARNINGS AT END OF YEAR	\$ 145,121	\$1,068,784

The accompanying notes are an integral part of this financial statement.

SUNLITE OIL COMPANY LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 1970

	1970	1969 (Note 1)
FUNDS DERIVED FROM		
Operations		
Net earnings	\$ —	\$ 263,981
Add non-cash items		
Depletion and depreciation	—	17,732
Dry hole costs	—	542,146
Property surrenders and write-offs	—	292,416
	—	1,116,275
Sale of mineral rights	73,677	—
Deposits refunded	2,743	205,258
Issue of capital stock (Note 2)	183,476	5,231,677
	259,896	6,553,210
FUNDS APPLIED TO		
Operations		
Loss	923,663	—
Deduct non-cash items		
Depletion and depreciation	8,063	—
Dry hole costs	689,990	—
Property surrenders and write-offs	175,986	—
	49,624	—
Fixed assets		
Exploration and development	551,906	675,164
Property acquisitions	128,315	1,482,945
Mineral rights	9,247	579,582
Advance to an officer and director (Note 2)	100,000	—
Deposits	—	67,002
Share issue expense	—	68,551
Other	1,123	6,221
	840,215	2,879,465
INCREASE (DECREASE) IN WORKING CAPITAL	\$ (580,319)	\$3,673,745

The accompanying notes are an integral part of this financial statement.

**SUNLITE OIL COMPANY LIMITED
AND SUBSIDIARY COMPANIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1970

NOTE 1 ACCOUNTING POLICIES

Amalgamation and Principles of Consolidation

Effective October 1, 1969, the company amalgamated with Del Norte Oil Ltd. and continued operations under the name of Sunlite Oil Company Limited. The 1969 comparative financial statements have been re-stated to reflect the amalgamation on a pooling of interests basis.

The consolidated financial statements include the accounts of the company's wholly-owned subsidiaries, Sunlite Nevada, Inc., Sunlite Land Ltd. and Sunlite-Honduras, Inc.

Amounts in foreign currency are converted to Canadian dollars on the following basis:

- (i) Current assets and current liabilities, at the rate of exchange as at the balance sheet date.
- (ii) Fixed assets, at the rate of exchange at the date of acquisition.
- (iii) Revenue and expenses, at the average rate of exchange for the year.

Petroleum and Natural Gas Properties

Exploration expenses and carrying charges of both producing and non-producing properties are charged to income as incurred. The costs of drilling a productive well, including the costs of production equipment, are capitalized and amortized using the unit of production method. The cost of an unproductive well is charged to income when determined to be dry.

The acquisition costs of leases, royalty rights and other interests are capitalized and charged to income if and when subsequently surrendered or abandoned. The costs of producing leases, royalty rights and other interests are amortized using the unit of production method.

Other Mineral Rights

The costs of acquisition, evaluation and development of mineral properties are capitalized. Such costs will be amortized using the unit of production method or, when properties are proven to be uneconomical, they are charged to income.

NOTE 2 CAPITAL STOCK

Changes in capital stock during the year ended September 30, 1970 were as follows:

	<u>Number of Shares</u>	<u>Consideration</u>
Balance September 30, 1969, as previously reported . . .	2,119,600	\$6,623,055
Shares issued to the shareholders of Del Norte Oil Ltd. on amalgamation with that company (Note 1)	130,000	125
Balance September 30, 1969, as restated	2,249,600	6,623,180
Shares issued for royalty rights	14,332	80,976
Shares issued for cash on exercise of option	2,500	2,500
Shares issued to an officer and director for cash*	40,000	100,000
Balance September 30, 1970	<u>2,306,432</u>	<u>\$6,806,656</u>

*The company advanced the \$100,000 to the officer and director in return for his non-interest bearing promissory note due in 1975.

At September 30, 1970 there was outstanding under an option agreement dated November 20, 1969 (amended September 30, 1970), the right to purchase 7,500 shares of the company's capital stock at \$4.00 per share. This option is exercisable cumulatively in three equal instalments commencing one year after date of option, and expires in 1973.

NOTE 3 INCOME TAXES

The companies provide in their accounts only for income taxes payable which, for the current year, relate to the earnings of one of the company's subsidiaries. This policy conforms with general practice in the oil and gas industry but differs from the tax allocation basis of accounting recommended by the Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants under which the income tax provision is based on the earnings reported in the accounts.

If the tax allocation basis had been followed for all timing differences between taxable income and reported operating results, income tax provisions (credits) and earnings (losses) would have been as follows:

	1970	1969
Earnings (loss) before income taxes	\$ (887,772)	\$ 222,728
Income taxes (credits)		
Current	35,891	(41,253)
Deferred	(309,000)	278,000
	<u>(273,109)</u>	<u>236,747</u>
Loss after current and deferred income taxes	<u>\$ (614,663)</u>	<u>\$ (14,019)</u>

The accumulated income tax reductions relating to all timing differences prior to September 30, 1970 amount to approximately \$300,000 at that date.

NOTE 4 REMUNERATION OF DIRECTORS AND OFFICERS

Remuneration paid during the current year to directors and senior officers totalled \$100,161.

NOTE 5 COMMITMENTS

As of September 30, 1970, the company had issued non-interest bearing demand notes aggregating approximately \$425,000 to governmental agencies as security for the performance of work obligations in respect of normal exploration activities.

